



General Assembly

January Session, 2007

**Committee Bill No. 6500**

LCO No. 4988

\*04988HB06500CE\_\*

Referred to Committee on Commerce

Introduced by:  
(CE)

***AN ACT EXPANDING CONNECTICUT'S FILM INDUSTRY.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (NEW) (*Effective July 1, 2007, and applicable to income years*  
2       *commencing on or after January 1, 2007*) (a) As used in this section:

3       (1) "Commissioner" means the Commissioner of Revenue Services.

4       (2) "Commission" means the Connecticut Commission on Culture  
5       and Tourism.

6       (3) "Infrastructure project" means a capital project to provide basic  
7       buildings, facilities or installations needed for the functioning of the  
8       digital media and motion picture industry in this state.

9       (4) "State-certified project" means an infrastructure project  
10      undertaken in this state by an entity that (A) is in compliance with  
11      regulations adopted pursuant to subsection (e) of this section, (B) is  
12      authorized to conduct business in this state, (C) is not in default on a  
13      loan made by the state or a loan guaranteed by the state, nor has ever  
14      declared bankruptcy under which an obligation of the entity to pay or  
15      repay public funds was discharged as a part of such bankruptcy, and

16 (D) has been approved by the commission as qualifying for an  
17 infrastructure tax credit under this section.

18 (b) (1) There shall be allowed a state-certified project credit against  
19 the tax imposed under chapters 207 to 212, inclusive, of the general  
20 statutes to any taxpayer that invests in a state-certified project. Such  
21 credit may be in the following amounts: (A) For state-certified projects  
22 costing greater than fifteen thousand dollars and less than one  
23 hundred fifty thousand dollars, each taxpayer may be allowed a tax  
24 credit of ten per cent of the investment made by such taxpayer; (B) for  
25 state-certified projects costing one hundred fifty thousand dollars or  
26 more, but less than one million dollars, each taxpayer may be allowed  
27 a tax credit of fifteen per cent of the investment made by such  
28 taxpayer; and (C) for state-certified projects costing one million dollars  
29 or more, each taxpayer may be allowed a tax credit of twenty per cent  
30 of the investment made by such taxpayer.

31 (2) Any credit allowed pursuant to this section may be sold,  
32 assigned or otherwise transferred, in whole or in part, to one or more  
33 taxpayers, and such taxpayers may sell, assign or otherwise transfer, in  
34 whole or in part, such credit. Any taxpayer holding such credit may  
35 claim such credit only for the income year in which a state-certified  
36 project tax credit voucher is issued by the commission pursuant to  
37 subsection (c) of this section.

38 (3) Any such credit allowed pursuant to this section shall be claimed  
39 against the tax imposed under chapters 207 to 212, inclusive, of the  
40 general statutes for the income year in which such tax credit voucher is  
41 issued by the commission pursuant to subsection (c) of this section. If  
42 the amount of the credit allowable under this section exceeds the sum  
43 of any taxes due from a taxpayer, any such excess amount of the credit  
44 allowable under this section may be taken in any of the three  
45 immediately succeeding income years.

46 (4) No sound recording production company shall earn a state-  
47 certified project credit in more than three years out of any five-year

48 period.

49 (5) Any tax credit earned under this section shall be nonrefundable.

50 (c) (1) An entity undertaking an infrastructure project shall apply to  
51 the commission for an eligibility certificate not later than ninety days  
52 after the first expenses or costs are incurred, and shall provide with  
53 such application such information as the commission may require to  
54 determine such infrastructure project's eligibility as a state-certified  
55 project.

56 (2) Each application for an eligibility certificate shall include: (A) A  
57 detailed description of the infrastructure project; (B) a preliminary  
58 budget; (C) estimated completion date; and (D) such other information  
59 as the commission may require. The commission may require an  
60 independent audit of all project costs and expenditures prior to  
61 certification. If the commission determines that such project is eligible  
62 to be a state-certified project, the commission shall indicate the amount  
63 of costs or expenditures that has been established to the satisfaction of  
64 the commission, and issue to such entity a tax credit certification letter  
65 for investors indicating the amount of tax credits available under this  
66 section. The commission shall provide a copy of such letter to the  
67 commissioner, upon request.

68 (3) Prior to the issuance of a state-certified project tax credit voucher  
69 to a taxpayer based upon the tax credit certification letter issued  
70 pursuant to subdivision (2) of this subdivision, the entity undertaking  
71 such infrastructure project shall provide the commission with a  
72 description of the progress on such project and an estimated  
73 completion date. The commission may require an independent audit of  
74 all project costs and expenditures prior to issuance of such tax credit  
75 voucher to a taxpayer. No such tax credit voucher may be issued prior  
76 to such time as such state-certified project is shown to be not less than  
77 sixty per cent complete.

78 (d) If a taxpayer sells, assigns or otherwise transfers a credit under

79 this section to another taxpayer, the transferor and transferee shall  
80 jointly submit written notification of such transfer to the commission  
81 not later than thirty days after such transfer. The notification shall  
82 include the credit certificate number, the date of transfer, the amount  
83 of such credit transferred, the tax credit balance before and after the  
84 transfer, the tax identification numbers for both the transferor and the  
85 transferee and any other information required by the commission.  
86 Failure to comply with this subsection will result in a disallowance of  
87 the tax credit until there is full compliance on both the part of the  
88 transferor and the transferee. The commission shall provide a copy of  
89 the notification of assignment to the commissioner upon request.

90 (e) The commission, in consultation with the commissioner, shall  
91 adopt regulations, in accordance with the provisions of chapter 54 of  
92 the general statutes, as may be necessary for the administration of this  
93 section.

94 Sec. 2. Section 12-217jj of the general statutes is repealed and the  
95 following is substituted in lieu thereof (*Effective July 1, 2007, and*  
96 *applicable to income years commencing on or after January 1, 2007*):

97 (a) As used in this section:

98 (1) "Commissioner" means the Commissioner of Revenue Services.

99 (2) "Commission" means the Connecticut Commission on Culture  
100 and Tourism.

101 (3) "Qualified production" means the process of producing any type  
102 of entertainment content which shall include motion pictures;  
103 documentaries; long-form, specials, mini-series, series, music videos  
104 and interstitials television programming; interactive television;  
105 interactive games; videogames; commercials; infomercials; any format  
106 of digital media created primarily for distribution or exhibition to the  
107 general public; and any trailer, pilot, video teaser or demo created  
108 primarily to stimulate the sale, marketing, promotion or exploitation of

109 future investment in either a product or a qualified production via any  
110 means and media in any digital media format, film or videotape,  
111 provided such program meets all the underlying criteria of a qualified  
112 production. "Qualified production" shall not include (A) any ongoing  
113 program created primarily as news, weather or financial market  
114 reports, or (B) any production containing any material or performance  
115 that is obscene, as defined in section 53a-193.

116 (4) "Eligible production company" means a corporation, partnership,  
117 limited liability company, or other business entity engaged in the  
118 business of producing qualified productions or sound recording on a  
119 one-time or ongoing basis, and qualified by the Secretary of the State  
120 to engage in business in the state.

121 (5) "Production expenses or costs" means all expenditures clearly  
122 and demonstrably incurred in the state in the development,  
123 preproduction, production or postproduction costs of a qualified  
124 production or sound recording, including:

125 (A) Expenditures for optioning or purchase of any intellectual  
126 property including, but not limited to, books, scripts, music or  
127 trademarks relating to the development or purchase of a script,  
128 screenplay or format, provided (i) the intellectual property was  
129 produced primarily in the state, (ii) seventy-five per cent of the  
130 qualified production based on such intellectual property is produced  
131 in the state, and (iii) the production expenses or costs for such  
132 optioning or purchase are less than thirty-five per cent of the  
133 production expenses or costs incurred in the state. Such expenses or  
134 costs shall include all expenditures generally associated with the  
135 optioning or purchase of intellectual property, including option  
136 money, agent fees and attorney fees relating to the transaction, but  
137 shall not include any and all deferrals, deferments, royalties, profit  
138 participation or recourse or nonrecourse loans which the eligible  
139 production company may negotiate in order to obtain the rights to the  
140 intellectual property;

141 (B) Expenditures incurred in the state in the form of either  
142 compensation or purchases including production work, production  
143 equipment, production software, postproduction work,  
144 postproduction equipment, postproduction software, set design, set  
145 construction, props, lighting, wardrobe, makeup, makeup accessories,  
146 special effects, visual effects, audio effects, film processing, music,  
147 sound mixing, editing, location fees, soundstages and any and all other  
148 costs or services directly incurred in the state in connection with a  
149 state-certified qualified production;

150 (C) Expenditures for distribution, including preproduction,  
151 production or postproduction costs relating to the creation of trailers,  
152 marketing videos, commercials, point-of-purchase videos and any and  
153 all content created on film or digital media, including the duplication  
154 of films, videos, CDs, DVDs and any and all digital files now in  
155 existence and those yet to be created for mass consumer consumption;  
156 the purchase, by a company in the state, of any and all equipment  
157 relating to the duplication or mass market distribution of any content  
158 created or produced in the state by any digital media format which is  
159 now in use and those formats yet to be created for mass consumer  
160 consumption; and

161 (D) "Production expenses or costs" does not include the following:  
162 (i) Talent fees for extras, principal day players and atmosphere, as  
163 defined by the Screen Actors Guild, to the extent the individual  
164 performer costs exceed the rates of the Screen Actors Guild for double  
165 scale wages under the current collective bargaining agreements; (ii)  
166 media buys, promotional events or gifts or public relations associated  
167 with the promotion or marketing of any qualified production; (iii)  
168 deferred, leveraged or profit participation costs relating to any and all  
169 personnel associated with any and all aspects of the production,  
170 including, but not limited to, producer fees, director fees, talent fees  
171 and writer fees; (iv) costs relating to the transfer of the production tax  
172 credits; and (v) any amounts paid to persons or businesses as a result  
173 of their participation in profits from the exploitation of the qualified

174 production.

175 (6) "Sound recording" means a recording of music, poetry or  
176 spoken-word performance, but does not include the audio portions of  
177 dialogue or words spoken and recorded as part of a motion picture,  
178 video, theatrical production, television news coverage or athletic event.

179 ~~[(6)]~~ (7) "State-certified qualified production" means a qualified  
180 production produced by an eligible production company that (A) is in  
181 compliance with regulations adopted pursuant to subsection (e) of this  
182 section, (B) is authorized to conduct business in this state, and (C) has  
183 been approved by the commission as qualifying for a production tax  
184 credit under this section.

185 (b) The Connecticut Commission on Culture and Tourism shall  
186 administer a system of tax credit vouchers within the resources,  
187 requirements and purposes of this section for eligible production  
188 companies producing a state-certified qualified production or sound  
189 recording in the state. For income years commencing on or after  
190 January 1, 2006, any eligible production company incurring production  
191 expenses or costs in excess of fifty thousand dollars shall be eligible for  
192 a credit against the tax imposed under this chapter equal to thirty per  
193 cent of such production expenses or costs. Any credit allowed  
194 pursuant to this subsection may be sold, assigned or otherwise  
195 transferred, in whole or in part, to one or more taxpayers, provided  
196 such taxpayers may claim such credit only for an income year in which  
197 the eligible production company would have been eligible to claim  
198 such credit. Any such credit allowed under this subsection shall be  
199 claimed against the tax imposed under this chapter for the income year  
200 in which final certification for the state-certified qualified production is  
201 made by the commission pursuant to this section, and may be carried  
202 forward for the three immediately succeeding income years. Any  
203 production tax credit allowed under this subsection shall be  
204 nonrefundable.

205 (c) (1) An eligible production company shall apply to the

206 commission for an eligibility certificate not later than ninety days after  
207 the first production expenses or costs are incurred in the production of  
208 a qualified production, and shall provide with such application such  
209 information as the commission may require to determine such  
210 company's eligibility to claim a credit under this section.

211 (2) Not later than ninety days after the last production expenses or  
212 costs are incurred in the production of a qualified production or sound  
213 recording, an eligible production company shall apply to the  
214 commission for a production tax credit certificate, and shall provide  
215 with such application such information as the commission may require  
216 pertaining to the amount of the company's production expenses or  
217 costs. If the commission determines that the company is eligible to be  
218 issued a production tax credit certificate, the commission shall enter on  
219 the certificate the amount of production expenses or costs that has  
220 been established to the satisfaction of the commission, and the amount  
221 of the company's credit under this section. The commission shall  
222 provide a copy of such certificate to the commissioner, upon request.

223 (d) If an eligible production company sells, assigns or otherwise  
224 transfers a credit under this section to another taxpayer, the transferor  
225 and transferee shall jointly submit written notification of such transfer  
226 to the commission not later than thirty days after such transfer. The  
227 notification shall include the credit certificate number, the date of  
228 transfer, the amount of such credit transferred, the tax credit balance  
229 before and after the transfer, the tax identification numbers for both  
230 the transferor and the transferee, and any other information required  
231 by the commission. Failure to comply with this subsection will result  
232 in a disallowance of the tax credit until there is full compliance on both  
233 the part of the transferor and the transferee. The commission shall  
234 provide a copy of the notification of assignment to the commissioner  
235 upon request.

236 (e) The commission, in consultation with the commissioner, shall  
237 adopt regulations, in accordance with the provisions of chapter 54, as

238 may be necessary for the administration of this section.

239       Sec. 3. (NEW) (*Effective July 1, 2007*) (a) The Office of Workforce  
240 Competitiveness, in consultation with the Labor Commissioner, the  
241 Commissioners of Education and Economic and Community  
242 Development, and the Connecticut Commission on Culture and  
243 Tourism, shall establish a program that is designed to develop a  
244 trained workforce for the film industry in the state. Such program  
245 shall have three components: (1) An unpaid intern training program  
246 for high school and college students; (2) a production assistant training  
247 program open to any state resident; and (3) a workforce training  
248 program that would include classroom training, on-set training and a  
249 mentor program.

250       (b) Not later than ninety days after July 1, 2007, the Office of  
251 Workforce Competitiveness shall establish written participation  
252 guidelines for the program authorized under this section.

253       (c) Not later than January 1, 2008, and annually thereafter, the Office  
254 of Workforce Competitiveness shall submit a status report, in  
255 accordance with the provisions of section 11-4a of the general statutes,  
256 on the establishment and operation of the program authorized under  
257 this section to the Connecticut Employment and Training Commission,  
258 the joint standing committees of the General Assembly having  
259 cognizance of matters relating to commerce, and higher education and  
260 employment advancement.

261       Sec. 4. (*Effective July 1, 2007*) The sum of one million dollars is  
262 appropriated to the Office of Workforce Competitiveness, from the  
263 General Fund, for the fiscal year ending June 30, 2008, for the training  
264 program established in section 3 of this act.

265       Sec. 5. (*Effective July 1, 2007*) The sum of five hundred thousand  
266 dollars is appropriated to the Office of Workforce Competitiveness,  
267 from the General Fund, for the fiscal year ending June 30, 2008, for  
268 equipment, supplies and training facilities, and administrative

269 expenses of the program established in section 3 of this act.

270 Sec. 6. (*Effective July 1, 2007*) The sum of two hundred fifty thousand  
 271 dollars is appropriated to the Office of Workforce Competitiveness,  
 272 from the General Fund, for the fiscal year ending June 30, 2008, for an  
 273 in-depth study on the feasibility of developing the visual effects,  
 274 animation and video game industries in the state, and, if appropriate,  
 275 recommendations on how to facilitate such development.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2007, and applicable to income years commencing on or after January 1, 2007</i>	New section
Sec. 2	<i>July 1, 2007, and applicable to income years commencing on or after January 1, 2007</i>	12-217jj
Sec. 3	<i>July 1, 2007</i>	New section
Sec. 4	<i>July 1, 2007</i>	New section
Sec. 5	<i>July 1, 2007</i>	New section
Sec. 6	<i>July 1, 2007</i>	New section

**Statement of Purpose:**

To expand the film production tax credit to cover expenses associated with sound recordings, to create a separate tax credit for investment in infrastructure projects for the film industry, and to establish and fund a workforce development program designed for the film industry.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*

Co-Sponsors: REP. AMANN, 118th Dist.; REP. BERGER, 73rd Dist.

H.B. 6500